C. P. U. No. 429

COMMITTEE ON PUBLIC UNDERTAKINGS (1980-81)

(SEVENTH LOK SABHA)

TWENTIETH REPORT

ON

TANNERY AND FOOTWEAR CORPORATION OF INDIA LTD.

(Ministry of Industry – Department of Industrial Development)

Presented to Lok Sabha on 27 APR 1981

and

Laid in Rajya Sabha on 27 APR 1981

LOK SABHA SECRETARIAT
NEW DELHI

April, 1981/*Chaitra*, 1903 (*S*)

Price : Rs. 2.55

C O R R I G E N D A

TWENTIETH REPORT OF THE COMMITTEE ON PUBLIC UNDERTAKINGS (1980-81) ON TANNERY AND FOOTWEAR CORPORATION OF INDIA LTD.

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CONTENTS

	PAGE
Composition of the Committee	(iii)
COMPOSITION OF THE STUDY GROUP II	(v)
INTRODUCTION	(vii)
PART I—BACKGROUND	
I. SETTING UP OF TAFCO	
A. Take over of Tannery Units	1
B. Sale Deed, Patents and Trade Marks	2
C. Modernisation of Factory	6
D. Top Management	8
E. Managerial Personnel	9
II. RAW HIDES PURCHASE	10
III. PRODUCTION PERFORMANCE	
A. Capacity	15
B. Budget Targets	18
C. Labour Productivity	19
D. Wage Revision	20
E. Incentive Scheme	21
IV. SALES PERFORMANCE	
A. Budget Targets	23
B. Closing Stock	24
C. Sales Organisation	24
D. Procurement of Finished Products	25
E. Sales Composition	27
F. Defence Orders	28
V. COSTS AND PRICES	
A. Cost of Production	30
B. Costing	32
C. Pricing	34
D. Pricing of Defence Footwears	35
VI. WORKING RESULTS	
A. Losses	38
B. Corporate Plan	39

7 LSS/81—1

PAGE

C. Capital Structure . . . 40
D. Trade Credits 41
E. Inventory Holding 43
F. System Deficiency 44
G. Vigilence Cell 46
H. Annual General Meetings . . . 46
I. Performance Review . . . 47

PART—II Conclusions/Recommendations of the Committee . . 49

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(1980-81)

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2. Shri T. R. Krishnamachari—*Chief Financial Committee Officer.*
3. Shri S. C. Gupta—*Senior Financial Committee Officer.*

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*Elected w.e.f. 28th November, 1980 in the vacancy caused by appointment of Shri P. A. Sangma as Deputy Minister.

STUDY GROUP II ON PUBLIC UNDERTAKINGS UNDER MINISTRIES OF FINANCE, INDUSTRY, SUPPLY & REHABILITATION AND TOURISM & CIVIL AVIATION AND DEPARTMENTS OF ATOMIC ENERGY, ELECTRONICS AND SCIENCE & TECHNOLOGY

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7. Shri K. Ramamurthy.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Twentieth Report on Tannery and Footwear Corporation of India Ltd.

2. The Committee's examination of the working of the Corporation was mainly based on the Report of the Comptroller and Auditor General of India 1978, Union Government (Commercial) Part II.

3. The Committee took evidence of the representatives of Tannery and Footwear Corporation of India Ltd. on 27th, 28th October and 3rd November, 1980 and of Ministry of Industry (Department of Industrial Development) on 17th and 18th December, 1980. The Committee also took evidence of the representatives of the Ministry of Defence on 18th and 24th December, 1980.

4. The Committee considered and adopted the Report at their sitting held on 14 April, 1981.

5. The Committee wish to express their thanks to the Ministries of Industry (Department of Industrial Development) and Defence and Tannery and Footwear Corporation of India Ltd. for placing before them the material and information they wanted in connection with the examination of the Corporation. They also wish to thank in particular the representatives of the Department of Industrial Development, Ministry of Defence and the Corporation who gave evidence and placed their considered views before the Committee.

6. The Committee also place on record their appreciation of the assistance rendered to them by the Comptroller and Auditor General of India.

New Delhi,
April 20, 1981
Chaitra 30, 1903 (S)

BANSI LAL, Chairman,
Committee on Public Undertakings

PART-I

BACK GROUND

CHAPTER I

SETTING UP OF TAFCO

A. Take over of Tannery Units

In view of continuous losses sustained by the company the Management of British India Corporation Limited laid off the workers of the Cooper Allen and North West Tannery units of the Company from February, 1968.

1.2. Initially the Department of Defence Production proposed the take-over of the two units as an ordnance Factory, *inter-alia*, on the following terms and conditions :

(i) Payment of Re. 1 towards land, building and plant and machinery offered by British Indian Corporation in the Cooper Allen and North West Tannery units.

(ii) Payment of a sum not exceeding Rs. 15 lakhs towards stores, spares, raw-materials and work-in-progress after detailed assessment by a team.

(iii) All orders for footwear of the Defence Ministry should necessarily be placed on the Director General, Ordnance Factories so that the capacity of the two units could be utilised.

(iv) In view of the surplus capacity available after meeting Defence requirements, all Central Government orders for boots as well as other leather footwears should be placed directly on these units only and sale would be on 'cost', basis.

(v) In addition, the two units would also produce leather footwear and other leather items for sale to private customers.

(vi) Suitable Sales and Design Organisations would have to be set up, details of which would be worked out, after approval of Government.

1.3 The Ministry of Finance (Defence) did not favour the take-over of two units primarily on consideration of economic viability. However on 24th December, 1968 Government decided to take-over the two units on the terms and conditions proposed by the Department of Defence Production under the aegis of the Department of Industrial Development.

1.4 In order to implement the above decision, it was decided (8th January, 1969) to set up a new company in the Public Sector, Simultaneously, a Technical Committee was constituted by Government with the following terms of reference :—

(a) To inspect the fixed assests and stores etc. and assess the value and serviceability of the assets.

(b) To assist the firm of Chartered Accountants (M/s. S. B. Batliboi & Company, Calcutta) appointed by Government in consultation with British India Corporation for the purpose of determining the correctness and existence of the assets to be transferred by the two units and the value of such assets etc.

(c) To determine the production programme to be undertaken during the next 18 months by the new company to be set up by Government.

(d) To determine the requirement of staff and for workers for achieving the above production programme.

1.5 While the Technical Committee submitted its report on 5th February, 1969, M/s. S. R. Batliboi & Company submitted their report on 22nd February, 1969. On the later date, a wholly owned Government Company was registered under the Companies Act under the name and style of 'Tannery and Footwear Corporation of India Ltd.'

B. Sale Deed, Patents and Trade Marks

1.6 According to Audit, in order to complete the take-over of the two units of British India Corporation Ltd., two agreements were entered into between the vendors and the Corporation on 22nd May, 1969. The first agreement related to the sale of assets of the two units and the second to the transfer of the goodwill including all the brand names, trade marks and patents owned by the two units of the vendors.

1.7 The agreement for the sale of assets, *inter alia,* provided as follows:—

(i) Subject to the vendors making out a marketable title free from encumbrances, attachments, liens, etc., all rights titles and interest in land, buildings and appurtenances as well as easement rights relating thereto and all the plant and machinery, furniture and fixtures, motor cars and other vehicles, etc., were to be sold to the Corporation for a price of rupee one.

(ii) The Corporation would take-over the serviceable stocks of raw materials, stores, spare parts and work-in-progress at a value to be determined by the firm of Chartered Accountants in consultation with the Technical Committee.

(iii) The vendors would deliver to the Corporation within seven days from the date of payment by the Corporation of the value of the serviceable stocks of raw-materials, stores, spare parts and work-in-progress, all the title deeds relating to the immovable properties agreed to be sold, to enable the Corporation to investigate the vendors' title to the properties.

(iv) The vendors would, after making out a title to the properties free from encumbrances, attachments, etc. to the satisfaction of the Corporation, execute and register in favour of the Corporation full and proper deed or deeds of conveyance containing all the usual convenants relating to title.

1.8 The following features deserve mention :—

(a) In terms of the agreement for the sale of assets, the Corporation took-over on 23rd May, 1969 the land, building, plant and machinery, furniture and fixtures etc. of the book value of Rs. 25.78 lakhs and assumed liability of Rs. 41.52 lakhs towards gratuity and benefit of accrued leave of the employees taken-over by the Corporation. The difference between the value of assets and liabilities (Rs. 15.74 lakhs) taken-over from the vendors was added to the value of land. The value of raw materials, work-in-progress, stores and spare parts, the serviceability of which was certified by the Technical Committee, amounted to Rs. 17.36 lakhs as determined by the firm of Chartered Accountant. Payment for it was made by the Corporation on 16th June, 1969.

(b) In January, 1970, the vendors directed its bankers to forward the title deeds of the properties to the Corporation. These were, however, received by the Legal Adviser of the Corporation, on trust basis, in October, 1971 for the purpose of drafting the sale deed and were returned to the bankers in April, 1972. The sale deed for the transfer of land and buildings in the name of the Corporation has not, however, been executed so far for the reasons mentioned below :—

(i) Non-reconciliation of the area of land mentioned in the draft sale deed and the vendors' records. The total area specified in the title deed was 3,99,603 sq. yds., against 4,03,322 sq. yds. mentioned in vendors records.

(ii) Non-settlement of the claim lodged by the vendors for Rs. 5.85 lakhs representing the value of stores and spare parts supplied after take-over and those lying in the manufacturing departments on the date of take-over.

(iii) Interest amounting to Rs. 6.22 lakhs on the outstanding payments.

1.9 The Board of Directors, decided in October, 1975 that the difference in area of land should be sorted out by joint survey with the vendors and the settlement of accounts referred to arbitration. The joint survey could not, however, be undertaken for want of the title deeds stated to be in possession of the State Bank of India.

1.10 The position was brought to the notice of the Ministry in September, 1976. In this connection, the Ministry informed Audit (February, 1978) as follows :—

"Since both the Companies had agreed to submit themselves to arbitration it was decided to wait for the outcome of the arbitration proceedings. The arbitration proceedings relate to a claim of Rs. 12 lakhs made by BIC against TAFCO as against the claim of Rs. 16 lakhs made by TAFCO against BIC. (Value of Plant and machinery etc. included in the list as prepared by Technical Committee but not available at the time of take-over). Issues for arbitration have since been framed and filed with the Arbitrator. Hearings in the arbitration proceedings are awaited."

1.11 The Committee referred to a letter dated 20th January, 1970 from BIC Ltd. to the Chief Accountant, State Bank of India, Kanpur advising the latter that entire outstanding of Rs. 44 lakhs had been liquidated in full and thus conditions preceding the title deeds had been fulfilled and requested the State Bank of India to release the title deeds immediately and forward the same direct to TAFCO and enquired about the reasons for SBI handing over title deeds to TAFCO only on lawyer to lawyer basis in October 1971 and not unconditionally inspite of request by BIC Ltd. It was stated by Ministry in a written reply that a letter dated 7th January, 1981 had been addressed to the State Bank of India, Kanpur requesting for clarification as to why the title deeds of the properties sold by the British India Corporation Ltd. to TAFCO were not released unconditionally to company inspite of the request made by the British India Corporation Ltd. The reply from the State Bank of India was awaited.

1.12 During the course of examination, the Committee referred to a letter dated 25th November, 1971 written by M.D., TAFCO to the Secretary, BIC Ltd. wherein it was stated that according to the Bank Title Deeds cannot be handed over to TAFCO straightway because some of these Title Deeds contain references to properties which were still hypothecated to the S.B.I. against B.I.C.'s overdraft account and enquired whether the title deeds were free from encumberances. The C.M.D. informed the Committee that according to letter dated 29th September, 1980 received from B.I.C. Ltd., the Company had already taken up the matter with S.B.I. and would forward the title deeds for Corporation's verification as soon as they were released by their Banks and added :

> "They (properties) are completely unencumbered. Our legal position is quite clear. We have 11-1/2 years possession. Amount paid to them was paid by cheque initially in 1969. There is no resistence from them and according to us the Government legal position is quite safe."

1.13 Asked about the present position in regard to joint survey and the arbitration proceedings the Committee were informed in the course of evidence of the Corporation (27th October, 1980) that the Corporation had obtained the site plans from Nagar Mahapalika on 25th October, 1980 and joint survey would be taken up shortly. As regard arbitration, the position was that as the arbitration proceedings could not be completed in time by the arbitrator, he was now moving the court to seek extension of time to continue the arbitration proceedings.

1.14 The Committee referred to a letter written on 1st August, 1975 by the then Managing Director of the Corporation to the Chairman BIC Ltd. in which while referring to the legal notice issued by B.I.C. Ltd., the M.D. had stated as follows :—

> "I can assure you that I am as keen to settle the accounts of the B.I.C. Ltd. as most probably you are to get these settled. The limitation period of course would not have been allowed to expire as Shri P. C. Jain explained to our Secretary Shri Tandon that a cheque for Rs. 5000 may be sent to keep the matters alive.... The cheque for Rs. 5000 has already been made

and is under despatch to you, without prejudice, again to keep the matters alive."

1.15 Asked as to who took this decision to write this letter and to send the cheque, the witness stated that it was taken by the then Managing Director. It also came out that he was an old employee of BIC Ltd.

1.16 On account of the non-execution of the sale deed, patents and trade marks with regard to product manufactured, have not been transferred and registered in the name of the Corporation. Consequently the Corporation is not in a position to take any legal action for the infrigement of the trade marks, which reportedly have taken place.

1.17. According to Audit in September, 1970 the Corporation authorised its Attorney to file an application with the Registrar of Trade Marks to record the change in ownership of the trade marks and patents transferred by the vendors to the Corporation. The Registrar, however, refused to register the transfer unless a deed of conveyance in respect of the properties sold to the Corporation was executed. In view of the non-execution of the Sale Deed, the renewal of the trade marks and patents could not also be undertaken by the Corporation.

1.18 It was, noticed from a letter dated 25-11-71 sent by the Managing Director of the Corporation to the Secretary, BIC Ltd. that there was a discussion with the Registrar of Trade Marks on this matter and the Registrar, agreed that instead a deed of conveyance, if the Corporation had a deed of assignment as per the draft agreement settled at that time he would transfer the brand names and trade marks in the name of the Corporation. However, the matter was not pursued by the Corporation.

1.19 The Committee enquired about the action taken by the Ministry in this regard. The Secretary, Department of Industrial Development stated in evidence :—

"This matter pertaining to the execution of sale deed, release of title deeds and settlement of accounts with BIC was, for the first time, reported to the Ministry on 9th September, 1976. The records of the Ministry show that this matter was discussed with the Managing Director of TAFCO and he indicated that the matter was now being referred to arbitration. It was therefore, decided that, before taking further action, the outcome of the arbitration proceedings may be awaited. Again, on 30-1-1980 TAFCO took up the matter with the Ministry, seeking help for solving the problem through the good offices of the concerned officer in the Ministry of Industry then on the Board of Directors of BIC (in which Government owns equity shares of Rs. 73 lakhs). The Deputy Secretary (Industries) issued a letter on 18th February to the Chairman of the Managing Committee of British India Corporation. The Ministry of Industry again issued a letter on 3-12-80 to the Joint Secretary (Commerce) for issuing a direction to BIC for the release of title deeds and the execution of sale deed. A reminder has also been issued but, so far, we have not heard from the Ministry of Commerce

nor from BIC. The fact of the matter is that the BIC has refused to part with the title deeds or the sale deed till today. It is possible that the Government may acquire majority shares in the BIC. When that goes through, I will take it up personally at my level with Secretary (Textiles) who will be looking after BIC and I will see that this matter is setttled."

1.20 The Committee enquired whether it would be correct to sum up that out of three things purchased from BIC namely land and buildings, machinery and trade marks none of them had come to the Corporation legally ; but the Corporation had taken over the liabilities and given a cheque for the amount due without recovering the title deeds from the bank. The Managing Director agreed that it was so.

C. *Modernisation of Factory*

1.21 According to Audit, the Technical Committee appointed by Government *inter alia* made the following observations in its report of February 1969 regarding the condition of the plant and machinery of the leather units of the vendors proposed to be taken over by the Corporation :—

"Even though the plant has been, by and large, lying idle, steps were taken, wherever possible, to have the machines run to examine their condition.....large number of machines are over 30 years old.....Taking into account the availability of the spare parts and the examination carried out by the team, the Committee consider that these machines can be continued to work for 4-5 years. In view of the age of the machines, however, it would be imperative to maintain a strong maintenance organisation for undertaking preventive maintenance and attending to overhaul and extensive repairs."

1.22 The management started considering modernisation programme from August, 1969 onwards. None of the programmes, however, was taken up for implementation upto October, 1976 for one reason or the other. In the meantime there were purchases of some additional equipment for specific purposes as shown below :

1. Installation of equipment for improving quality and sale value of products—Rs. 60.47 lakhs;
2. Machinery needed for execution of order obtained from Govt. of Iraq for supply of 3 lakh pairs of army boots—Rs. 72.26 lakhs.

1.23 As regards the reasons for not taking up any comprehensive modernisation plan upto October, 1976, the Ministry had informed Audit (February, 1978 as follows :—

"Until 1976, they were pre-occupied with the need for containing the manufacturing operations un-interrupted and hence production was being carried on with the existing machinery and by addition of balancing equipments and replacements, wherever necessary. During 1976, the need for a comprehensive programme of modernisation was felt in order to improve the production operations.

The Corporation has accordingly drawn up a phased programme of Modernisation, Replacement and Balancing involving a total expenditure of Rs. 280 lakhs for chrome tannery and shoe units. Government have sanctioned the First phase of the scheme involving an expendtiure of Rs. 119 lakhs. This is likely to be completed by 1978-79. The question of sanctioning the second phase of the scheme will be considered as soon as the first phase is completed".

1.24 As regards implementation of the modernisation programme, the Corporation stated in a written reply to the Commitee :

"Upto 31-3-1980, a sum of Rs. 34.90 lakhs has been spent out of Rs. 116.00 lakhs received against Phase I of the Modernisation and the Expansion Programme for Rs. 280.50 lakhs. From April, 1977, the Board of Directors started considering an American collaboration project worth Rs. 3.5 crores with total anticipated turnover of Rs. 42.00 crores. In the month of September, 1977 the Board decided to hold up the implementation of the Phase I of the Modernisation Programme until the collaboration was finally decided. The collaboration arrangements with the American Party remained unfinalised till January, 1980 when it was dropped on grounds of uneconomic prices. In the meantime the Board decided for going for a comprehensive Corporate Plan which has been approved by the Board in July, 1980, and sent to the Government for approval and sanctioning of the necessary funds for the implementation of the Plan. The amount of Rs. 34.90 lakhs against Phase I of the Modernisation and Expansion Programme was spent during 1977-78 for the replacement of obsolete and outlived machinery. This has helped in continuing the production with reduced interruptions."

1.25 Asked whether any initiative was taken by the Ministry to modernise the factories, the Secretary, Department of Industrial Development stated as folows :

"The Ministry has very positively reacted at every stage when any such proposal has come from the Corporation for investing in capital funds. I would say that the reaction of the Ministry is fairly satisfactory with alaracity to any proposal emanating from the Corporation for renovation and modernisation".

1.26 It was noticed from the Annual Report of the Corporation for 1978-79 that an amount of Rs. 280.51 lakhs had been sanctioned for capital expenditure and out of it Rs. 211.36 lakhs had been spent up to 31-3-1979 on piecemeal additions to plant and machinery. As regards its effect on production performance and profitability the CMD stated in evidence :—

"It is not a total replenishment of the plants. It is that something which the essentially required, is replaced. Therefore although that figure of Rs. 280 lakhs sanctioned is quite sufficient for the

last 10 years, the effect of it in terms of fulfilment of the objectives and proving the profitability are not necessarily there".

D. Top Management

1.27 In a note submitted by the Corporation, it had been stated that "TAFCO has all along suffered due to lack of continuity in its top management which has resulted in frequent changes in Corporate thinking and has lead to a no systematic or complete plan ever been implemented."

1.28 According to Audit, the Corporation was without a Chairman from 10 November, 1972 to 3rd August, 1975, again from 3rd August 1976 to 2nd January, 1977. The post was again wtihout any incumbent since 21st April. 1977 on which date the then Chairman-cum-Managing Director had resigned. Since then, the Director (Production) had been concurrently holding the charge of Managing Director till 8th February, 1978. In this connection, the Ministry explained to Audit (Feb. 78) as follows :

(i) No Chairman had been appointed as all the Directors except the Managing Director and two official Directors had retired on 10th November, 1972 and it was decided to reconstitute the Board on receipt of the report of the Action Committee of the Bureau of Public Enterprises which was looking into the affairs of the Corporation.

(ii) No Chairman could be appointed during the period from August, 1976 to January, 1977 as the question of appointment of Chairman-cum-Managing Director was under consideration of Government.

(iii) The Chairman-cum-Managing Director took over on 3rd January, 1977 but resigned on 21st April, 1977. A part-time Chairman was appointed on 2nd June, 1977.

A regular Chairman has been appointed with effect from 20th September, 1977 and a regular Managing Director has also taken over from 8th February, 1978 (Afternoon).

1.29 It was noticed that there were nine incumbents of the posts of Managing Director since the Corporation came into being in 1969 and there were half a dozen changes in the incumbency of the chief executive during the last three years alone.

1.30 Explaining the reasons for lack of continuity in top management, Secretary (Department of Industrial Development) stated in evidence :

"The change of hands in the top management is not due to Government giving anybody short-term but due to the incumbents not finding working conditions to their own satisfaction. So they left. TAFCO had to look for a permanent incumbent. They had some times to make stop gap arrangement. Ministry did try to bring some people.

To a question whether the modernisation programme could not be implemented mainly due to lack of continuity in the top management, the Secretary stated "that is a fact".

E. Managerial Personnel

1.31 At present 22 senior level posts were lying vacant. There was also large outflux of Senior personnel (from Deputy Manager to Manager level). The number of officers who left the Corporation during the years 1977 to 1980 was 11, 14, 16 and 17 respectively. In this connection representative of the Ministry stated :

"The post which are lying vacant pertain to Finance and Budget and Control Department and then the Chief Engineer's post was also vacant for some time. We have also posts vacant for Footwear Expert and Tannery Expert. Persons who are selected for these posts do not join the posts because they are afraid of joining the posts even though we are offering them remuerative and higher scale of pay."

Elaborating further the Secretary stated :—

"This has arisen basically because of deep seated factionalism which has grown in the organisation. There were different groups, different vested interests etc. These along with the fact that there are 14 unions, might possibly create a working environment which people who are not used to function in similar circumstances, may find disagreeable. So, we have appointed a new Chairman and Managing Director. And we are taking steps to see that the inhibiting factors which might have been present, are removed. I sincerely hope that this illight stops. I noticed one factor. There are, a large number of complaints, mostly anonymous, which keep on showering at different levels, against top management personnel. Some orgainsations have such a tradition.....This seem to have happened in a very large way in this company. Therefore, the only effort that we can make is to carry the entire organisation with the management and if there is any friction which might have developed between the management and the workers or any intra-friction along different echelons of arrangement, they will have to be removed and the only answer is the type of leadership from the Chairman and Managing Director which can consolidate instead of breaking the organisation further. This organisation has had rather unfortunate history and a lot of work has to be done at all levels to bring this organisation back to normal functioning and we have been addressing ourselves to this and we do feel that after a little while, in the next two or three years we should be able to raise this organisation and make a forward looking, modern profitable orgainsation."

The Secretary of the Ministry also added :

"If you are enjoining upon us that these posts should be filled up as early as possible I will certainly try to do so. I accept it and I shall do it."

CHAPTER II

RAW HIDES PURCHASE

2.1. The timely and economical purchase of quality raw hides is one of the most important factors responsible for the success of any tanning and leather manufacturing organisation. Normally the following methods of purchase are adopted :

1. Purchase from the market
2. Purchase against tender
3. Purchase at mill premises (also known as godown purchase).

2.2. On taking over the units, the Corporation adopted the policy of purchasing raw hides at the mill premises as was followed by the erstwhile management. Thereafter the question of evolving a suitable raw hides purchase procedure was considered by the Corporation on more than one occasion but no finality had been reached. In this connection, the following observations had been made by Audit :

(a) Neither any records were maintained to find out the most profitable origins and suppliers with regard to the actual performance of various lots of hides, nor was any incentive scheme introduced for improving the standard of selection.

(c) In the case of cow & dunger hides also, no lot-wise statistics have buffalo hides at various stages (viz. raw ex-limed and finished) have ben maintained by the Corporation, with the result that an assessment of the quality of the buffalo hides purchased on raw basis could not be made.

(c) In the case of cow & dunger hides also, no lot-wise statistics have been maintained after the wet blue stage. Even such statistical data upto wet blue stage was kept only from October, 1972.

(d) From June 1972 onwards the Corporation has switched over completely to the purchases on raw selection basis. However, 2 per cent and 0.54 per cent of the total hides purchased in 1974-75 and 1975-76 respectively were purchased on wet-blue basis.

2.3. The following deficiencies in regard to purchase of raw hides had also been mentioned in the Audit Report :

(a) Although it was reported to the Board in November, 1969 that bulk purchases of hides would be made in the good season when prcies were most favourable and quality was comparatively better, it was noticed that substantial quantities of hides were purchased during the lean season in all the years.

(b) The average price per hide paid in the previous good season was higher than the price paid in the succeeding lean season in respect of cow hides and buffalo hides.

In this connection, the Ministry informed Audit (February 1978) as follows :—

"The Corporation has explained that they have to adjust the purchases of raw hides according to the availability of funds. Hence it happens that they are forced to make substantial purchases during lean season. Government have therefore, decided to advance working capital of Rs. 40 lakhs to the Corporation for making raw hide purchases. This will be used as a revolving fund for purchase of Raw Hides by the Corporation and recouped from Sales Proceeds from time to time."

(c) The average price per hide paid to the bulk suppliers, was generally more than that paid to the other suppliers. The incidence of higher price paid to the main suppliers during the period from October 1969 to April, 1980 worked out to Rs. 60.80 lakhs.

(d) Purchases of raw hides on ex-lime basis showed a steep decline with effect from 1972-73 on account of dis-continuance of purchases on this basis from June 1972 onwards. Further, no purchases were made on wet blue basis except for small quantity of 245 cow hides in 1973-74, 5,512 buffalo hides in 1974-75 and 1,588 buffalo hides in 1975-76. The Corporation continue to purchase hides on raw selection basis which is less reliable than the ex-lime and wet-blue methods.

(e) The quality control data maintained by the Corporation with effect from 1st October, 1972 in respect of cow hides indicated that grading of hides at the time of purchase went down considerably at the blue stage.

2.4. The Committee enquired about the factors which had inhibited the Corporation in evolving a suitable purchase procedure. The Corporation stated in a written reply :—

"Thequestion of following specific purchase policy for raw hide has been disquessed time and again in the Corporation Board for the past 10 years, but no final decision has yet been reached. The reasons that appear to have prevented the Corporation from implementing any new system of raw hide purchase and selection to suit its own requirement, is perhaps the fact that there are as many as 35 private tanneries in Kanpur whose total daily purchase of raw hide would be in the region of 10,000 to 15,000 hides per day of assorted kinds i.e. cow, dungar and buffalo, whereas the maximum that TAFCO, although the single largest buyer, can purchase per day would be around 900 cow, 700 dungar and 300 buffio hide per day, TAFCO cannot exist in isolation without the cooperation of the raw

hide market as any unacceptable system to the trade enforced or dictated by TAFCO would result insuppliers reluctance to meet TAFCO's requirement on its own terms. The system of tendor purchase which is following by the Ordnance Equipment Factory, Kanpur had been tried by TAFCO some year ago and did not produce the desired result as either the prices quoted were too high or there were no quotations at all".

2.5. The Committee enquired as to why substantial quantities of hides continued to be purchased in lean season when the quality was stated to be poor. The Corporation stated in a written reply after evidence :

"The purchases of raw hides are made on the basis of requirement of the endproducts in our Tanneries from month to month as well as availability of finance. This is the reason why sometimes more purchases have to be made during the lean season".

2.6. On being pointed out that Govt. had advanced a sum of Rs. 40 lakhs to the Corporation to be used as a revolving fund for making raw hide purchases and wanted to know whether this did not help the Corporation. The Secretary (Department of Industrial Development) stated in evidence (18-12-1980) :

"It did not, because the amount was sucked up within a month or 6 weeks. It did not revolve at all."

2.7. Asked whether the suppliers of raw hide also acted as distributors/ purchasers of finished products of the Corporation, it was stated in a note that the following suppliers of Raw Hide acted as purchasers of finished products also during the last 3 years.

Name of the Party	Year in which supplies were made	Value of Raw Hides supplied
		Rs.
1. M/s. Seth Jeewa Bhai Ismail, Kanpur	1977-78	3,598.88
2. M/s. India Sole Leather Agency, Kanpur	1977-78	3,37,111.18
3. -do-	1979-80	25,154.84

2.8. Justifying higher prices period to the main suppliers, the Corporation stated in a note :—

"Small suppliers could not cater to the raw hide requirements of the Corporation due to poor availability of raw hides in local markets and heavy demand from tanneries. The Corporation, therefore, had to purchase sizeable quantity of raw hides from large number of outstation suppliers and main suppliers of local market. The excess price paid to main suppliers works out to 2.38 per cent of the total purhases of Rs. 158.09 lakhs from them. The difference in the prices of main suppliers and other

suppliers is mainly on account of payment terms. The up country purchases are on Cash Basis while local purchases are on credit basis. The leather includes the element of interest on credit extended to us and 4 per cent Sales Tax. Therefore, the increase in the price of local purchases as compared to up country purchases is notional."

2.9. The Committee wanted to know whether there was any system to tally the price paid for the hides purchases with those prevailing in the market to ascertain whether the prices paid were correct. The CMD stated "there is no system to check it as such."

2.10. It was also noticed that the purchase of raw hides was not within the purview of internal audit and it was included within their purview only in 1979-80. Further, as per decision of the Board in December, 1973 a raw hides purchase Committee was constituted with effect from 1-1-1974. This Committee was also not in existence as according to the management, purchase of raw hides through this Committee did not prove fruitful. Asked whether it could be concluded that "There was no safeguard against malpractices in the purchase of raw hides", the CMD agreed.

2.11. The Committee enquired whether any malpractices in the purchase of hides had come to the notice of the company. It was stated by the Corporation in a note :

"While there was no records of complaint of malpractice, there was a case of negligence in the year 1978-79 due to which 4629 hides (valued at Rs. 2.32 lakhs) got putrified. There putrified hides were then processed into lower grade finished leather."

2.12. Asked about the disciplinary action taken against the persons concerned, the Corporation informed in a note after evidence that charge-sheet was issued in July, 1978 to three concerned officers namely the Deputy Manager and two Assistant Managers. The Deputy Manager resigned and left the Corporation on 10-9-1978 of his own accord, after completion of three months notice period and was now working in TATA Exports Ltd., at Devas. He had, however, not collected his provident fund and other dues and the question whether recoveries could be made from this had been referred for legal opinion. Rest two officers were still working in the Corporation. Enquiry against them was in progress.

2.13. The Committee were also informed during evidence of the Corporation that due to tightening up the procedures recently, the prices of raw hides had come down from Rs. 7/- per kg. to Rs. 5/- per kg. The Corporation had introduced a Raw Hide Purchase Evaluation Procedure from 1978-79 for giving feed-back about the various parameters of raw hides purchased i. e. price quality etc.

2.14. The Director in the Ministry stated in this connection in evidence :

"The point was in any system of purchase where we depend on the selector, we purchase the goods on the basis of the report of the

selector. But we cannot have a foolproof system. The only control which we have introduced is a lot-wise monitoring system. We process a lot and then we review the output to find out for what quality we have paid and what quality we are getting. Ultimately we have got the feed-back system. The Purchase Department gets the feed-backs. That department analyses the performance of the selector or the quality of the lots coming from different areas. We are now able to know the variances. We have also laid down the limits of the variances within which the performance is considered satisfactory."

CHAPTER III

PRODUCTION PERFORMANCE

A. Capacity

3.1 According to Audit, taking into consideration the number and condition of the machinery and equipment, the maintenance facilities available and stock position of spare parts the Technical Committee, had assessed the capacity of the various production units. The management however felt in 1971 that since the plant has outlived its normal life and the circumstances under which the capacity had been calculated have changed altogether the production capacity as assessed by Technical Commitee may no longer be valid and the attainable capacity was 85 per cent of the installed capacity. This was again revised in 1975 and the revised figures were, communicated to Government in August 1975.

3.2. Again in 1978, the NPC were engaged to lay down the achievable norms of production. The NPC determined production norms/capacity with the existing old & obsolete machinery to be restored to perfect working conditions for various units.

3.3. The following table shows the installed capacity as assessed by Technical Committee, attainable capacity as worked out by management and achievable capacity as assessed by National Productivity Council in 1978 :—

(Figures in lakhs)

S. No.	Name of the Department	Unit	Installed capacity	Attainable capacity adopted up to 1974-75	Capacity assessed in 1975-1976	Capacity as assessed by NPC
1	2	3	4	5	6	7
1.	Footwear	Pairs	20.10	17.10	15.00	11.88
2.	Bark Leather	Kg.	24.00	20.40	17.55	12.03
3.	Chrome Leather	Sq. Dcm.	766.40	651.50	666.00	615.00
4.	Industrial Leather	Kg.	1.74	1.50	0.90	..
5.	Leather Board	Sheet	5.40	4.80	1.80	4.75 (Two shift basis)
6.	Rubber Goods	Kg.	3.00	2.10	1.02	4.05
7.	Shoe Finishes	Rs.	15.00	12.00	24.00	36.00
8.	B.T.B. Goods	Rs.	12.00	9.60	7.50	..

3.4. Even with reference to N.P.C. norms the Corporation had stated that these norms can be achieved in ideal machine and labour conditions

and were not achievable in view of old and obsolete machinery. The Committee enquired during the examination of the Corporation whether the NPC had not taken into account the condition of the plant and machinery while fixing the norms of production. The CMD stated :

> "They have taken the capacity of the old machines as they are with us. They have taken it as 100 per cent production capacity which is not achievable. . . . The break down of the machines is so frequent that the norms can never be achieved, there is always something wrong . . . I may submit that 100 per cent of the capacity cannot be achieved, 80 per cent could be realistic and we could try and achieve that."

Capacity Utilisation

3.5. The actual production for the various units of the Corporation during 1970-71 to 1979-80 was as under :—

(Figures in lakhs)

Departments	Unit	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
1	2	3	4	5	6	7	8	9	10	11	12
Footwear .	Pairs	4.75	7.19	6.21	6.33	6.82	9.21	7.36	5.86	4.75	3.12
Bark Leather .	Kg.	9.47	8.20	6.97	7.24	9.69	10.41	11.92	5.73	6.00	4.87
	Sq. DCM	—	—	24.85	44.43	42.51	10.54	0.70	—	—	—
Chrome Leather .	Sq. DCM	268.30	300.78	267.37	391.93	399.32	449.05	435.67	291.19	306.48	250.63
Goat skin sheep skin and cowwet blue		1.45	0.12	0.42	0.15	—	—	—	—	—	—
Industrial Leather	Kgs.	0.66	0.34	0.25	0.35	0.29	0.20	0.22	0.05	..	..
Leather Board .	Sheet	2.03	2.07	2.42	1.79	1.42	2.69	2.97	2.66	1.81	0.90
Rubber Goods .	Pairs	2.44	2.85	1.77	1.89	2.03	3.94	2.95	1.77	2.67	3.07
Shoe Finishes	Rs.	4.73	6.25	8.35	10.55	17.62	22.56	22.59	14.87	15.06	10.46
B.T.B. Goods .	Rs.	0.97	2.10	3.02	4.21	6.45	7.51	3.39	8.66	2.79	0.66

3.6. The following reasons were advanced by the Corporation for under utilisation of capacity :—

1. Old and obsolete machines which were subject to frequent breakdowns resulting in low output.
2. Non-availability of required spares for outdated imported machines.
3. Lack of key personnel in various production and service Departments as also in Purchase, Sales, Personnel and Accounts Department.
4. Inadequate and irregular orders from Defence Department at remunerative prices.
5. Low productivity of workers due to continued grievances for revision of their pay structure, indiscipline amongst the workmen and inter-union rivalry amongst 14 unions operating in the Corporation.
6. Lack of motivation among supervisory staff due to frustration arising out of lack of work-culture in the Factory.
7. Absence of countinuity at the level of Chief Executives resulting in delay in vital decisions like improvement strategies of formulation of long term plans etc.
8. Fire in October, 1979 gutting two production departments, namely Finishing and Conveyor S-4.

B. *Budget Targets*

3.7. The following table shows the budget targets and actual production thereagainst :

(Rs. in lakh)

Year	Targets		Actual Production
	Original	Revised	
1	2	3	4
1970-71	496.49	265.27	193.45
1971-72	419.50	216.77	181.75
1972-73	300.00	241.46	229.87
1973-74	365.56	321.70	290.08
1974-75	399.83	467.00	382.28
1975-76	732.30	580.00	495.89
1976-77	636.00	552.86	464.70
1977-78	582.10	414.60	303.02
1978-79	557.00	395.75	324.63
1979-80	621.40	447.21	354.₹

3.8 During examination of the Corporation the Committee pointed out that the production targets had been fixed by the management being fully aware of the deficiencies and failed to achieve them year after year and observed that it means that either the management was utterly incompetent or the other conclusion could be that it had no system. To this the CMD stated "it could be either wrong system or even incompetence."

C. *Labour Productivity*

3.9 The Technical Committee, had recommended a total man power of 1,924 on the basis of production programme which corresponded to the rated capacity of various departments. As against this, the Corporation in May, 1969, took over 1,934 personnel from the vendors.

The actual staff in position at the end of last 10 years was as follows:—

As on	Officers (Number)	Staff (Number)	Actual Strength Industrial Workers (Number)	Total (Number)
1	2	3	4	5
31-3-1970	71	266	1,699	2,036
31-3-1971	141	372	1,932	2,445
31-3-1972	130	477	1,952	2,559
31-3-1973	141	501	2,124	2,766
31-3-1974	138	441	2,272	2,851
31-3-1975	131	348	2,838	3,317
31-3-1976	137	338	3,053	3,523
31-3-1977	148	324	2,753	3,225
31-3-1978	139	329	2,553	3,021
31-3-1979	149	583	2,059	2,791
31-3-1980	135	563	2,010	2,708

3.10. According to Audit, in this connection, the following points are relevant :—

(a) Although the strength of 1,958 was fixed to cater to the production at rated capacity level the capacity actually utilised was much lower.

(b) As a result of the staff strength being more than that recommended for rated capacity production and the actual production being for below the capacity, there was cross under-utilisation of labour. The impact of under-utilisation was also reflected in the productivity of labour.

(c) In his note dated 19th November, 1975 submitted for the consideration of the Board of Directors, the Financial Adviser and Chief Accounts Officer, while indicating the areas of heavy losses, had suggested that for reducing the direct cost and

overheads "the man-power requirement at various levels of output may be re-assessed and efforts made to reduce the same by changing the layouts, etc., wherever necessary. The expenditure on manpower in service Departments should be determined on the basis of certain established norms which may be fixed." The Board took note of the analysis and suggestions made by the Financial Adviser and Chief Accounts Officer.

3.11 The Committee wanted to know whether the approval of Board was obtained for raising the strength of manpower from time to time, especially when the production was much below the rated capacity.

The Corporation stated in a written reply as follows :—

"The Board was requested in its meeting held on 26th August, 1976 to approve the reduction in manpower surplus to the requirement. The Board decided that the surplus workmen may be utilised in the best possible way and may not be laid off/retrenched as it was expected to get orders from Defence/Export. The Board further decided to review the Voluntary Retirement Scheme so as to make it more attractive. Accordingly, the scheme was reviewed and with the approval of the Board, it was introduced with effect from 18th May, 1978 as a result of which 212 employees surplus to the requirement have been retired under the scheme."

The Committee were also informed in a note after the evidence :—

"The total standard manpower requirement of Industrial Workers had been assessed and fixed at 2040. Our present strength of Industrial Workers is within the limit assessed by the N.P.C. excluding some temporary workmen engaged in connection with the reconstruction of the burnt buildings. The Corporation has since formulated a Corporate Plan for 1980-81 to 1984-85 which caters for substantial increase in the productive activities when the Corporation may even need an increase in the manpower strength. It will, therefore, appear that the Corporation does not have any surplus manpower in the industrial side. The assessment of the manpower strength for the non-technical activities is being studied by the Work Study team of the Ministry."

D. *Wage Revision*

3.12 It had been stated by the Ministry in a note that the man days lost on account of leave or absence was 1.04 lakhs and 1.24 lakhs in the years 1978-79 and 1979-80. The value of loss of production on this was Rs. 40,06,976 and Rs. 51. 85,300 approx. respectively. According to the Ministry the industrial relations in the Corporation continued to remain disturbed during the last 2/3 years on account of grievances of workers for revision of their pay structure and inter-union rivalry among 14 unions operating in the Corporation. In a note submitted by the Corporation also it was stated that production in the Chrome Tannery had been hampered due to labour unrest caused by the delay in granting wage revision and

gradation. Although the wage revision was committed by the Government in April, 1978 but in actual fact implemented only on 20-8-1980. As regards the reasons for delay of more than two years in implementation of the commitment, the Ministry stated in a written reply after the evidence as follows :—

> "The matter of granting of wage revision and gradation of industrial workmen was agreed to in principle by the Government in April, 1978. It may be mentioned here that there was no categorisation of the industrial workmen in the Corporation's factories which was necessary for the purpose. The Board considered the matter in its 77th meeting held on 26th April, 1978 and authorised the Managing Director to engage the National Productivity Council, Kanpur for conducting of work study and job classification etc. The work was then entrusted to the National Productivity Council for fixing of Production, Norms, Manpower Assessment, Job-Evaluation and introduction of Incentive Scheme in the Production Departments. The National Productivity Council submitted its report in February 1979 and after detailed examination of the Report the work of classification of workmen into different categories of pay entitlement was taken up by the Management. In December, 1979 a Draft Memorandum of Settlement was arrived at with the Workers' Representatives and the same was forwarded to the Ministry for study and issue of necessary orders for implementation. This matter was examined in consultation with the Ministry of Finance and approval conveyed on 20th August, 1980."

E. *Incentive Scheme*

3.13 The Audit had pointed out that Prior to the take-over incentive schemes were in vogue in the Clicking (uppers, lining and socks) and Bottom Stuff Sections of the Footwear Department. Under the scheme an operator whose wastage of leather was lower than the standard wastage, was entitled to an incentive allowance at a specified rate.

3.14 After take-over, the Corporation continued the incentive scheme in the Clicking Section but not in the Bottom Stuff Section. It was stated that the bonus scheme in the Bottom Stuff Section was not continued owing to complicated procedure for calculating bonus.

3.15 In May 1971, the Management proposed two comprehensive incentive schemes for the Clicking and Bottom sections. The schemes provided for two kinds of incentives. One was the departmental production bonus payable to the departments concerned on achievement of a certain level of production. In addition, each cutter was also entitled individually to cutting efficiency bonus on the basis of prescribed norms. These schemes were however, not implemented.

3.16 In his note in November, 1975, the Financial Adviser and Chief Accounts Officer stated that low productivity of labour was due to absence of proper incentive in the wage structure. He suggested that the wage structure may be revised and incentive scheme may be introduced for better productivity.

3.17 In this connection, the Ministry had informed Audit (February, 1978) as follows :—

> "The Corporation has indicated that a new scheme for giving incentive on realistic basis is being worked out. They have also stated that the need for re-designing the wage structure and the introduction of incentive scheme for better productivity has been accepted and that they are doing whatever is possible under the existing labour laws.

3.18 The Committee were informed by the Corporation in a note that wage structure was revised and implemented from 20-8-1980. They had also introduced a new incentive scheme as stipulated in the agreement signed with workers on 20-8-1980.

CHAPTER IV

SALES PERFORMANCE

A. *Budget Targets*

4.1 The table below compares the overall sales performance of the Corporation with the targets of sales fixed for the years 1970-71 to 1979-80 :—

Year	Original Estimates	Revised Estimates (Rs. in lakhs)	Actuals
1	2	3	4
1970-71	364.95	235.65	156.54
1971-72	400.00	260.00	202.17
1972-73	400.00	300.00	283.80
1973-74	400.00	370.60	333.15
1974-75	465.00	545.00	394.39
1975-76	842.70	650.50	644.71
1976-77	730.00	575.13	453.55
1977-78	662.00	584.85	456.23
1978-79	641.00	521.50	434.02
1979-80	690.00	495.36	372.20

4.2 It is seen that the original estimates of sales had been revised downwards except during 1974-75 and even the revised estimates of sales were not realised in any of the years. According to Audit actual sales in 1972-73 and 1973-74 include the effect of price escalation agreed to by the Defence department in January 1975. The element of price escalation was of the order of Rs. 26.64 lakhs in 1972-73 and Rs. 33.69 lakhs in 1973-74. In case the impact of price escalation is excluded from actual sales of these years, shortfall with reference to the revised estimates will be more pronounced. The main reasons assigned by the Corporation for short fall in sales were absence of credit facilities to consumers without proper security, insufficient orders from Defence and para-military organisations, fall in demand for civilian foot wears due to outdated and old designs, lack of effective marketing set up.

B. *Closing Stock*

4.3 The break-up of the value of the closing stock of the finished goods into footwear and other products at the end of each of the last 10 years ended 31st March, 1980 is given below :—

(Rs. in lakhs)

Year	Footwear	Other Products	Total
1971-72	41.91	63.80	105.71
1972-73	39.93	48.45	88.38
1973-74	67.50	61.40	128.90
1974-75	116.16	75.33	191.49
1975-76	102.42	77.93	180.35
1976-77	135.72	101.75	237.47
1977-78	68.66	69.32	137.98
1978-79	36.69	68.99	105.68
1979-80	33.78	64.00	97.78

4.4 In the accounts for 1975-76, the stock of finished goods had been written down by Rs. 10 lakhs against old stock of footwear. 10 to 25 per cent discount was also allowed on accumulated stock of flex shoes in January, 1977 to dispose of old stock.

C. *Sales Organisation*

4.5 The Ministry informed Audit in May 1978 as follows :—

"The Corporation is fully aware of the weaknesses and shortcomings in its Sales Organisation. In fact the Corporation had to dispense with the services of their Sales Manager in December, 1976 for his failure to work out a proper plan for disposal of old stocks.

The Corporation is in the process of streamlining their marketing activities and trying to recruit competent people for the job. The Management is also considering commissioning of a study of the footwear market by one of the leading market research agencies so that recommendation could be obtained in regard to products and sales policies. It is expected that the streamlining of the marketing activities and introduction of scientific marketing system will be completed during the current year."

4.6 The Committee enquired about the steps taken to strengthen the Sales Organisation, the Corporation had stated in a note :—

"The steps to streamline the marketing activities have been taken. Production of new and attractive designs of shoes have been taken up. Price cost analysis has been done and new prices for new and old range of footwears have been introduced to ensure better realisation. Cheap price shoes are also being introduced. Development of exports market has been undertaken for better recovery of overheads."

Asked as to when were these steps, taken, the CMD stated in the course of evidence in November 80 'in this financial year'. In reply to a question the CMD also stated that the post of Sales Manager had been vacant since July, 1979 and he himself was looking after sales.

The CMD, however, stated during the course of evidence that "as the matters stand today, the fact is that the flex production is of such a low order that it is on hand to mouth basis. Whatever is produced is sold".

4.7 During the course of examination of the Ministry, the Secretary of the Ministry stated :—

> "The Corporation did have a sales organisation but it was not considered to be adequate. This was demonstrated by the fact that we had to do distress sales of the stocks which were accumulated for a long time".
>
> As regards action taken by the Ministry he stated :
>
> "As far as the Ministry is concerned I am not aware of any directive given by the Ministry that we should have a sales organisation of this particular type ..... There was nothing in writing that the Corporation should take the following steps to strengthen the Sales Organisation".

4.8 As regards the reasons for having outdated and old designs, the Corporation stated in a note :—

> "The Design and Development Section of the Corporation is manned by trained technicians who are capable of preparing new and modern designs which would be accepted in the open market and open competition with other footwear manufacturers in the country. However, the Corporation is handiacpped due to lack of modern machinery and equipment required to manufacture the latest designs of footwear which would be acceptable in the market. To overcome this, care has been taken to incorporate this shortfall in our Corporate Plan 1980-81 to 1984-85 which has been put up to the Government for the modernisation of the machinery and equipment required. To further strengthen the Design and Development Department the Corporation would be recruiting additional trained and experienced technicians to meet the modern trends and technology of designing footwear."

D. *Procurement of Finished Products*

4.9 According to Audit while the capacity of the footwear factory was grossly under-utilised, the Management submitted (March 1971) a prosal to the Board for procurement of finished footwear from outside manufacturers to be sold under the Corporation's brand name. The proposal was to cover such of the items for procurement from outside which would yield adequate return. The Board approved (March 1971) the proposal in principle subject to the following :—

(i) Precuation should be taken in the matter of quality control, avoidance of lay-off of workers, etc.

(ii) As far as possible, cut-components should be supplied to the outside fabricators to ensure quality and uniformity.

(iii) A progress report should be submitted to the Board at every subsequent meeting.

4.10 The table below indicates the purchase of finished shoes as well as fabrication of shoes got done from outside parties :—

Year	Finished Shoes		Fabrication of Shoes	
	Number of pairs	Value (Rs. in lakhs)	Number of pairs	Value (Rs. in lakhs)
1970-71	1,705	0.16	11,752	1.06
1971-72	72,688	9.49	18,467	1.59
1972-73	1,13,817	16.71	52,231	4.44
1973-74	1,56,169	21.90	1,09,424	6.06
1974-75	1,47,385	31.85	1,01,616	6.03
1975-76	1,26,448	28.05	36,740	3.81
1976-77	26,944	6.30	19,392	1.68
1977-78	9,621	2.07	26,204	2.72
1978-79	..	..	26,327 uppers 142 Shoes	0.24
1979-80	..	..	2,375	0.25

4.11. The following aspects of the outside purchase/fabrication deserve mention :—

1. Purchase of finished footwear was decided upon by sales department only, although, according to the proposal placed before the Board, outside purchases were to be made with the concurrence of production and Accounts Department.
2. No progress report in respect of outside purchases was submitted to the Board.
3. Instead of supply of cut-components to the fabricators, leather was supplied to one of the fabricators who supplied major portion of fabricated shoes.
4. A separate sales account for the shoes purchased/got fabricated was not maintained and hence it could not be ascertained whether the purchases had yielded adequate return as per assurance given to the Board.

The Ministry had informed Audit in February, 1978 as follows :

"The Corporation has decided that in future outside purchases, if any, will be made solely on economic considerations. A separate sales account will also be maintained in order to ascertain whether the purchases had yielded adequate returns."

4.12 Explaining the reasons for stopping the procurement of finished footwears from outside from 1978-79, CMD stated during the evidence :

"This proved to be bad experience. Evidently, the outside procurement was brought in to increase the turnover and bring in certain amount of trading profit which was envisaged at

that time. But this experience went astray in the sense that shoes were marked under 'Flex' brand name and sent to our distribution units and they were sold but it appeared that traders placed orders directly on the manufacturers who were supplying to us and they started supplying directly to those traders with 'Flex' word on it. There was no way of identifying one from the other. Therefore, the TAFCO had to bear the brunt of taking the second qualilty or inferior quality shoes back."

Asked as to why no progress report in respect of outside purchase was submitted to the Board, the witness stated : "there have been lapses".

E. *Sales Composition*

4.13. Customer-wise analysis of the total sales is indicated below :—

(Rs. in lakhs)

Year	Defence Deptt.	Other Govt. Deptts. & public sector under-takings.	Exports	Sales to private parties	Tanning done for private parties	Total
1	2	3	4	5	6	7
1969-70 . . .	9.29	0.31	13.60	21.89	0.59	45.68
1970-71 . .	47.87	7.29	11.23	88.66	1.49	156.54
1971-72 . .	78.13	4.72	9.34	107.26	2.72	202.17
1972-73 .	109.67	7.84	29.94	130.84	5.51	283.80
1973-74 .	89.28	2.36	36.81	201.65	3.05	333.15
1974-75 .	154.59	17.10	55.55	167.00	0.15	394.39
1975-76 . .	254.90	12.27	210.12	167.39	0.03	644.71
1976-77 .	131.96	35.10	94.08	192.16	0.30	453.55
1977-78 . .	127.06	31.94	90.50	205.51	1.22	456.23
1978-79 .	139.17	20.40	52.19	222.26	..	434.02
1979-80 . .	70.59	61.62	25.23	214.76	..	372.20

4.14. It will be seen that sales to private parties were more than the sales to Defence Department and other Government departments and public sector undertakings except in 1974-75 and 1975-76. Although it was envisaged at the time of take-over that all Central Government departments should place orders for leather footwear etc. on the Corporation, the meagre volume of sales to Government departments would indicate that this anticipation has not materialised.

4.15. As regards the reasons for law sales to Government Departments, the Corporation stated in a written reply "DGS&D placed orders invariably on the lowest tenderer. The prices of the Corporation were not competitive as compared to small sector undertakings whose products were cheaper or they were exempted from excise duty which worked out to 10.5 per cent."

F. *Defence Orders*

4.16. According to Audit one of the main considerations for taking over the leather units of the Vendors by Government was that these units would cater the requirement of shoes, etc. for the Defence department in addition to meeting the demand for Civilian footwear. In April, 1974, it was decided by the Secretaries Committee on Public Enterprises that "orders to meet 50 per cent instead of the prevailing rate of 75 per cent of the requirement of footwear for Defence services may be placed on the Corpn." As against the annual capacity of 6 lakh pairs per annum of army shoe the attainable capacity, as assessed by the Corporation in November, 1971 was 5.10 lakh pairs. Against this attainable capacity, the value of orders received from the Defence Department and that executed is given below:

Year	Orders received (In lakh of pairs)	Orders executed
1970-71	5.57	1.37
1971-72	1.15	3.16
1972-73	4.26	3.36
1973-74	1.51	2.94
1974-75	5.36	2.79
1975-76	2.75	4.39
1976-77	1.81	2.38
1977-78	2.08	2.67
1978-79	0.86	2.51
1979-80	1.55	1.13
Total :	26.90*	26.70

4.17. The Committee enquired about the reasons for the orders executed being less than the orders received and pending. They were informed by the Corporation in a written reply that orders from Defence were received in an unexpected way and sometimes during the latter part of the financial year and hence the supply had to be carried over to the next financial year. It was also stated that no orders had been received from the Defence for Boots Ankle and N.C.C. Shoes for the past two years.

4.18. During examination of the Ministry of Defence, the Committee enquired whether the Defence Ministry were placing 50 per cent orders on TAFCO as decided by the Secretaries Committee. The representative of the Ministry of Defence stated:

> "We have got certain capacity for the production of ankle boots in the DGOF organisation of the Ministry of Defence. In an Ordnance actory, Kanpur, the infra-structure and other facilities exist for the production of ankle boots. Naturally, we have got to keep that capacity going. Whatever projections are made by the army, the armed forces and the NCC, we

*According to the Ministry of Defence the orders placed was for a Total quantity of 31.25 lakh pairs.

first set aside the DGOF capacity and the balance requirement, 50 per cent is earmarked for the purpose of direct placement of orders on the TAFCO."

When pointed out that the Secretaries Committee did not state that orders for only 50 per cent of the remaining requirements should be placed on TAFCO, the witness stated that:

"We construed that way. We first set aside from the total requirement, the existing DGOF capacity and after that, whatever requirement was, we had to go to the market and 50 per cent of that we give to the TAFCO."

In reply to a question, the Committee were, however, informed that so far as D.M.S. boots were concerned 100 per cent were being procured from TAFCO.

4.19. The Committee wanted to know the reasons for decline in orders to TAFCO particularly during the last two years and for not placing any orders for Boots Ankle and NCC shoes for the past two years. The Defence Secretary stated:

"We acted on the advice of the Finance Ministry, in a letter in February, 1979 the Ministry of Finance wrote to Ministry of Defence: "before placing orders on TAFCO Ministry of Defence should come to a decision on prices". After this we cannot place any order on TAFCO without getting over this problem. The Assistant Financial Adviser communicated these views to the Ministry on 24-2-1979".

CHAPTER V

COSTS AND PRICES

A. *Cost of Production*

5.1. Audit Report brings out an analysis of cost of production and sales value realised for the products of TAFCO since inception. The updated information supplied by TAFCO reveals the following position in respect of major products.

(In Rupees)

	1977-78		1978-79		1979-80	
	Cost	Sale Value	Cost	Sale Value	Cost	Sale Value
1. Footwear (Per pair)	56.44	32.20	77.79	40.60	117.71	42.89
2. Chrome Tannery (Per hide)	154.61	97.41	143.99	101.04	236.13	175.32
3. Bark/Vegetable Tannery (Per hide)	251.08	188.24	276.65	198.90	385.02	271.99
4. Industrial Leather (Per kg.)	80.37	23.12		closed		
5. Leather Board (Per sheet)	10.97	8.24	16.37	8.96	31.12	11.92
6. Rubber Goods (Per pair)	9.50	6.82	7.43	7.33	9.12	7.40

5.2. There was generally continuous increase in the cost of production in all the departments and the cost of production was higher than the selling price. In the case of footwear the average net sale value per pair in 1970-71 to 1975-76 could cover a part of overheads. But from 1976-77 to 1979-80 the net sale value not only did not cover the overheads, but was even lower than the direct cost (material and wages). For instance in 1979-80 as against the selling price of Rs. 42.89 per pair, the direct cost alone was Rs. 55.21 and the total cost was Rs. 117.71 resulting in a loss of Rs. 74.82 per pair.

5.3. Similarly in the case of Chrome Tannery the average cost per finished hide showed a steep increase in 1971-72 and continued to show an upward trend thereafter except during 1974-75 and 1978-79. The net sale value per hide did not cover even the direct cost (value of raw hide, wages and process material) during 1969-70, 1972-73, 1973-74 and 1977-78. The loss per hide had gone up from Rs. 6.55 in 1969-70 to Rs. 60.81 in 1979-80.

5.4. The net sale value per hide in Bark|Vegetable Tannery was lower than the overall cost of production. There was steep increase in loss per

hide from 1976-77 onwards. The loss per hide having gone up from Rs. 21.58 per hide in 1976-77 to Rs. 113.03 in 1979-80.

In the case of industrial Leather the cost of production was always higher than the net sale value per kg. except during 1970-71. The selling price did not cover even the direct cost during 1975-76 to 1977-78 when this department was closed.

The average net sale value of Leather Board per sheet did not cover the cost of production from 1972-73 onwards except during 1975-76 and 1976-77. There was steep increase in the cost of production in 1979-80 as compared to 1978-79. The cost of production having gone up from Rs. 16.37 to Rs. 31.12 per sheet. The selling price did not cover even the direct cost in 1979-80.

5.5. The following deficiencies were also pointed out by Audit.

(i) *Quantitative Records*

The quantitative account of the production of soles and heels in the bottom stuff departments had not been maintained. The management informed the Committee that the quantitative accounts were being maintained from the year 1978-79.

(ii) *Shortages*

5.6. 9539 pairs valued at Rs. 3.05 lakhs and leather, leather board and rubber sheets valued at Rs. 5.29 lakhs were found short in 1974-75 and 1975-76. These shortages were adjusted in the accounts of the respective years and approved by the Board. It was brought to the notice of the Board that investigation into shortages had revealed no fruitful results. No investigation report was however submitted.

Shortages of footwear, leather, leather board and rubber sheets valued at Rs. 4.47 lakhs, Rs. 3.44 lakhs and Rs. 0.78 lakhs were also found in the years 1977-78, 1978-79 and 1979-80 respectively. Shortages for years 1977-78 were investigated and action was taken as per the Vigilance Report against the officers on whom the responsibility was fixed and their services were terminated, shortages for the year 1978-79 and 1979-80 were still under investigation.

(iii) *Excessive Wastage*

5.7. There was excess wastage for cutting of upper leather, lining and socks and bottom leather for soles as compared to the standards fixed. According to Audit the erstwhile management had fixed a standard wastage of 25 per cent in cutting of leather and 20 per cent in respect of lining and socks cutting. After take-over, the standard fixed by the Corporation varied as follows :—

Civil Shoes	25% upto May 1971 and from April 1972 ownwards.
	28% for the period from June 1971 to March 1972.
Army Shoes	30% in 1970-71 and 1971-72, 25% from April 1972 ownwards.
For cutting of lining and socks	25 per cent.
For cutting of bottom leather for soles	25 per cent.

5.8 The value of wastages in excess of the standard worked out to Rs. 8.41 lakhs in 1977-78, Rs. 6.49 lakhs in 1978-79 and Rs. 3.00 lakhs in 1979-80. According to Audit, it was observed in May 1972 by the Technical Advisor of the Footwear Department that unless there was close cooperation between the design department and clicking department, cutting losses would continue to be more. He also observed that the present norm of 25 per cent wastage for all the components was not at all based on any study. According to him, cutting losses should not exceed 22 per cent in any article and 20 per cent on overall basis.

In this connection, the Ministry informed Audit (February, 1978) as follows :—

> "The Corporation has since decided to compile cutting results on daily basis. The Corporation have indicated that a scientific approach towards the control and reduction of wastage is envisaged. With the introduction of pre-determination of cutting wastage and control thereof is envisaged and continuous control of consumption variance and control for the same will be introduced very shortly. A manual of production control system has been prepared and is under scrutiny by the management. It is expected that system will be introduced shortly. The Corporation have further stated that they are taking steps to reduce the wastage. The Corporation is also introducing incentive bonus for reducing wastage."

Asked about the action taken by the management since then, the Corporation stated in a note (in October, 1980) :—

> ".....as recommended in the report the Design Department fixes the norm for wastage after cutting trials with random selected leather on the basis of which cutting wastage norms are fixed and conveyed to concerned department.
>
> In the Bottom Department we have introduced the system of gauging the leather and then drawing contours indicating areas of different thicknesses and then cutting the Components from appropriate areas. In the Upper Cutting Section, cutting loss is mainly dependent on operator's skill and quality of leather available and therefore our technical personnel exercises strict control and supervision over the cutting operation."

The Committee were also informed during evidence of the Corporation that now onwards the cuttings would be utilised for children shoes to control the shortages.

B. *Costing*

5.9 According to Audit the following deficiencies were noticed in the cost system followed by the Corporation :—

(a) The quantitative standards for process materials were based on the data supplied by the user department. These had not been examined independently, nor were these approved by the Board. The Financial Adviser and Chief Accounts Officer, in a note submitted to the Board in November 1975, had stressed the necessity for determining the standard requirements by an independent competent technical authority or by the Works Manager.

(b) Similarly, standards for labour had not been fixed on any scientific basis. These had also not been approved by the Board.

As regards (a) and (b) above, the Ministry informed the Audit in May 1978 as follows :—

"In the course of operations during the last few years, the determination of standard requirements has not been fully satisfactory due to the absence of proper Managers in the Planning and Cost and Budget Departments. It is in this context that a study of the working of the Production Planning Department was organised by the Corporation in the year 1975. The report prepared in this connection is likely to be implemented with suitable modifications, as may be necessary."

5.10. The Corporation, has however, been requested to keep the observations of Audit in mind in determining the standard requirements.

Actual cost of production is worked out only after the annual accounts of a particular financial year are ready. As there has been delay in the compilation of annual accounts this also led to delay in compilation of actual cost. The procedure for the integration of cost and financial accounts is yet (February, 1978) to be implemented by the Management, although need for such a system had been emphasised by the Bureau of Public Enterprises in September, 1968.

5.11. Although standard costs are compared with the actual costs, when compiled no price or usage variances analysis is made with a view to exercise effective control on the consumption of raw materials and to take remedial action.

The Ministry informed Audit (February, 1978) that remedial action will be taken.

Asked about the action taken by the Corporation to rectify the various deficiencies in costing system, it was stated by the Corporation in a note :—

"The Corporation had taken steps to fill in the vacant posts of Manager (Cost & Budget), Manager (Planning), Manager (Footwear) by advertisement. The progress in filling up of the aforesaid posts is slow inspite of our efforts as qualified and talented candidates were not coming to join TAFCO which is a sick unit. The cost control measures could be taken up only after filling up of these posts."

5.12 The Committee enquired about the action taken by the Ministry in regard to various system deficiencies prevailing in the organisation. The Secretary of the Ministry stated in the evidence :

> "In that context, I submit that though in terms of points which have been raised in the audit, about methodoligies and system, specific instruction may not have been issued from the Ministry, the record appears to indicate that the Ministry has been generally keeping the production situation, marketing situation, etc. of this particular enterprise very fairly under observation and the Ministry has reacted with a fair degree of promptitude to problems which have been brought to its notice by the organisation. If you are pointing out that in terms of failures of absence of systems, we have started action only after they have been pointed out by Audit, I accept that it is so."

C. *Pricing*

5.13 The Corporation had stated in a written reply as follows :—

> "Prices were determined as per the cost of production in the Corporation plus contribution towards overheads and keeping the prevalent market prices from other tanneries in Kanpur in view. The Corporation's overheads being higher due to lack of productivity, it had not been possible to realise either the full contribution to overheads nor add any margin of profit and if this was done the Corporation's products would be out priced in the competitive market."

5.14 As mentioned earlier, in some cases the prices however did not cover even the direct cost. For instance for footwear although there was an increase of about Rs. 5 per pair in the cost of components and about Rs. 6 in the cost of wages (including fabrication charges), in 1979-80 as compared to 1978-79 average net sale value per pair was increased by Rs. 2 only (from Rs. 40.60 per pair to Rs. 42.89 per pair). The Committee enquired in evidence the reasons for increasing the price of shoes only by Rs. 2 in spite of an increase of Rs. 11 in cost of raw materials and wages, the CMD stated :—

> "It is a lapse. The only reason that could be attributed probably is that the competitors' price in the market might have prevented them from bringing about the increase."

Asked whether any records had been maintained of the market price of the manufactured shoes, witess stated :—

> "No records were maintained for the competitors' price. There is no continuous record."

To an enquiry whether the Corporation made study of the market conditions before revising the prices periodically the C.M.D. stated :—

"There is not a regular kind of feed back system. The practice is that the sales staff, the depots-in-charge feed back information from time to time in various meetings that are called as to what the prices in the market are, whether there is any new introduction etc."

5.15 In a note after evidence the Corporation informed that the prices of shoes have been revised and the average net sale value for the year 1980-81 came to Rs. 47.30 as compared to Rs. 42.89 in 1979-80.

D. *Pricing of Defence Footwears*

5.16 According to Audit, at the meeting of the Committee of the Secretaries held on 7th November, 1969, it was decided that the prices of army 'footwear for the orders placed on the Corporation should be negotiated. In implementation of this decision, a price formula 'Cost examination minus overheads and profit margins' was adopted for the orders placed in 1970-71 and 1971-72.

5.17 In May 1971, the Corporation took up the revision of the pricing formula with the Ministry of Industrial Development who communicated the following formula for pricing the Defence supplies :—

".....the price may be fixed as Director General Supplies and Disposal price plus 10 per cent, the Director General Supplies and Disposals price being ascertained by diverting 25 per cent of orders to Director General Supplies and Disposals. There should, however, be no minimum price which will cover direct manufacturing cost."

The Corporation did not favour this formula, as the prices determined under this were even lower than those determined by the Chief Cost Accounts Officer of the Ministry of Finance under the first formula and were considerably lower than the total cost of production.

Accordingly, the Corporation requested (July 1972) the Ministry as follows :—

"We may be paid the same price as is allowed to Ordnance Equipment Factory, Kanpur for identical Defence Footwear supplied by them. For others, the cost may be worked out either in consultation with the Accounts Officer, Ordnance Equipment Factory, Kanpur or a decision may be arrived at by direct negotiations. But in every case overheads and margin must be allowed if our Unit is to be made viable."

5.18 On 3rd April, 1974, the Secretaries Committee on Public Sector Enterprises decided the pricing formula for footwear supplies to the Defence department and observed as follows :—

"It was felt that a better alternative to the existing arrangement would be to settle the prices by negotiation between Tannery and Footwear Corporation and the Ministry of Defence. The Committee desired that to facilitate such negotiation the Cost Accounts Officer of the Ministry of Finance and the Directorate General of Ordanance Factories may jointly study the manufacturing costs of Tannery and Footwear Corporation of India shoes and recommend remunerative prices after allowing for overheads and a reasonable return on the capital employed and also taking into account the costing of shoes manufactured by Directorate General of Ordnance Factories."

5.19 Finally, the Ministry of Defence agreed to revise the prices of shoes supplied by the Corporation from the production of 1972-73 and 1973-74 on the basis of the cost data supplied by the Corporation. According to this data, the Corporation had included not only full overheads but also a margin of profit. Notwithstanding this, the Corporation suffered losses in 1972-73 and 1973-74 on account of cost of production being higher than the estimates.

5.20 As regards the present position the Corporation stated in a written reply that :

"As per recommendation of the Committee of Secretaries it was agreed that the sale price will be fixed based on the cost examination by the Experts from the Defence Ministry. In the meantime the supplies were made at provisional prices. The cost examination of all supplies made during the years 1972-73, 1973-74 were completed in January, 1975. Cost examination for D.M.S. Boots supplied between 1975-76 to 1978-79 were completed in 1979-80. For other footwears supplied to Defence, the Corporation was still being paid the prices based on the last cost examination of 1974-75 which are highly unremunerative. Cost examination for supplies made in these subsequent years was under negotiation with Ministry of Defence."

5.21 As regards the reasons for the delay in fixing final price payable to TAFCO for footwears other than DMS boots, the Committee were informed in a written reply after evidence by Defence Ministry that "the Rallan Committee which went into the cost of production of each type of shoes fixed two sets of fair selling price for each type of boots by adding a return of 12½% and 15 per cent respectively to the cost of manufacture. The Committee also recommended that the selling prices decided by them should have currency for one year only, whereafter at fresh study should be undertaken. Accordingly the prices recommended by them were to be valid for 1974-75 only. Thereafter, when the question of price fixation was taken up, the Finance Ministry took the line that TAFCO should not be paid more than the prices charged by the DGS&D. The question whether any price preference should be given to TAFCO over the DGS&D prices has to be settled first before prices based on the cost of manufacture

plus 15 per cent return can be paid to TAFCO as the cost of manufacture of TAFCO would be higher than the DGS&D prices who procure footwear from small scale industry where the overheads are lower. It is also the policy of the Government to give 15 per cent price preference to small scale sector which means that TAFCO is not entitled to any price preference over the DGS&D rates."

5.22 The Committee also enquired as to how the cost of production at TAFCO compared with the cost of production at DGOF and the DGS&D prices. They were informed that so far as DGCF was concerned their order on DGOF was for Boot Ankles only. From a Statement furnished to the Committee it was noticed that the price of boot ankles supplied by DGOF was substantially lower than that allowed to TAFCO.

Similarly the supplies from DGS&D were at rates lower than the price paid to TAFCO.

5.23 In this connection the Secretary, Industrial Development stated in the course, of evidence : "It is not a case of high costing. It is case of how you do costing. So, what I am saying is that an any accepted principle of costing, whatever applies to DGOF, I will accept the same formula for TAFCO."

CHAPTER VI

WORKING RESULTS

A. *Losses*

6.1 According to Annual Report for 1979-80, the cumulative loss incurred by the Corporation upto 31-3-80 amounted to Rs. 1584.34 lakhs (after adjusting Development Rebate reserve) as against the paid up capital of Rs. 436.92 lakhs. The following table shows the losses suffered by the Corporation since inception :—

Year	Net Loss	Incidence of Interest on loans from Govt. & Banks	Deveolpment Rebate Reserve provided for
			(Rupees in lakhs)
1969-70 . .	48.18	3.09	..
1970-71 . .	57.83	14.52	..
1971-72 . .	67.53	24.15	0.99
1972-73 . .	71.50	30.61	1.28
1973-74 . .	83.76	40.45	0.40
1974-75 . .	87.79	58.46	1.45
1975-76 . .	36.39	75.71	..
1976-77 . .	217.61	100.14	..
1977-78 . .	280.35	107.85	..
1978-79 . .	277.49	139.45	..
1979-80 . .	360.03	190.35	0.62
Total :	1588.46	784.77	4.74

6.2 The Committee enquired about the steps taken by the Ministry from time to time to see that the Corporation became economically viable. The Secretary of the Ministry stated during evidence :—

> "Whenever any difficulty has been brought to the notice of Government, like negotiations for defence orders or any problem with regard to labour etc. Government has reacted and I would say that I cannot blame that Govt. has reacted in a manner which is absolutely uncalled for. I must again say with all humility that Government has neither been unaware nor been negligent. At the same time the fact of the matter is that losses had been made. Apart from these losses of Rs. 16 crores, accumulated interest was also mounting along with the losses after 1975-76. The losses started mounting in the last four years and this was due to the fact that there were tremendous operational difficulties

and erosion of defence orders and the amount of money which should have been put in the renovation of plant has not been put in. It shall be my responsibility to see that this plan (Revised Corporate Plan) of Rs. 497 lakhs is executed."

6.3. Asked whether any directions were issued by the Ministry to improve the working of the Corporation, the Secretary replied :—

"If you mean directions strictly under the Article of Association, no such direction was issued. But this company has received fairly close and frequent attention of the Government. Government has been involved in its functioning in different ways. If there was a power shortage, Govt. took it up. If there was the question of difference in pricing, Government took it up. If there was shorage of any transport material, Government took it up. If there was a question of labour, the Government had been in the picture. The working of the company has also been reviewed at the Government level on 16 occasions at the level of the Minister, Secretary and Additional Secretary. Therefore, I would not say that this company has suffered due to neglect. If you ask me question whether as a result of this Government alongwith the Company has worked out a plan and whether Government has monitored that plan, I have to submit that it has not happened."

6.4. The Corporation also stated in a written note after evidence in this connection :

"The Corporate Plan when implemented will substantially increase the productivity and it is expected that the Corporation will achieve the break-even point by 1984-85. The industrial workmen have been put in regular scales of pay and the industrial relations have shown improvement in the recent month. The production in the factories has registered an increasing trend. Steps are being taken to fill up the key posts in the Production, Sales, Purchase and Administrative Offices in order to strengthen the organisational set up. Negotiations for obtaining adequate orders from the Defence ware being made. Steps are also being taken to secure sufficient export orders. The work of introduction and strengthening the various systems and controls in the production and other departments have been taken up It is expected that after the Corporation's factories are modernised in accordance with the Corporate Plan, the Corporation will become viable unit".

B. *Corporate Plan*

6.5. The Corporation have now drawn up a Corporate Plan (1980-81 to 1984-85) involving an amount of Rs. 497.46 lakhs which envisages increase in its turnover from the current level of about Rs. 4 crores to Rs. 18 crores per annum by modernising the footwear factory and installation of additional machines and balancing equipments in the Chrome Tannery. It also envisages exports of leather footwear in order to obtain better price realisation in the export markets. The Committee were informed that the

Department of Industrial Development had cleared the plan and it was being taken to the Cabinet Committee on Economic Affairs.

6.6. Asked whether the implementation of the plan would enable the Corporation to break even by 1984-85, the Secretary of the Ministry stated in evidence :

> "I would personally submit that my projections are slighty more optimistic. My personal projections are that we have reached a level of 2800 pairs of shoes a day. If we reach the level of 3500 even in 1981-82 the loss which stood at a figure of around 4 crores of rupees should have come down to around Rs. 2 crores; in 1981-82 we should be able to generate some surpluses."

C. *Capital Structure*

6.7. The Ministry had in a written note stated that in regard to debt equity ratio for undertakings under the control of the Ministry they follow the general policy laid down by the Ministry of Finance in September 1968 *viz* ratio 1 : 1. As against it the debt equity ratio of the Corporation at the end of each of the last 5 years after excluding working capital loans was as follows:—

31-3-1976	. 4.98 : 1
31-3-1977	. 5.8 : 1
31-3-1978	. 8.9 : 1
31-3-1979	. 2.2 : 1
31-3-1980	. 2.6 : 1

In addition to the equity capital and unsecured loans raised from Government, the Corporation obtained loans from State Bank of India also for meeting the working capital requirements. The heavy amount of loan resulted in considerable interest burden amounting to Rs. 784.77 lakhs upto 1979-80.

6.8. The Committee enquired about the reaons for unbalanced debt-equity ratio. It was stated in a note that since December, 1969, the Corporation had taken up the conversion of loans into equity with Govt. In December, 1971, it made the following proposals to Government in this regard :

(a) The loans granted by the Government for working capital and reimbursement of cash losses should be converted into equity.

(b) A moratorium on repayment of loan instalments and payment of interest should be granted till the Corporation was able to break even i.e., during the next three years.

6.9. In October, 1974, the Corporation again approached Government for grant of moratorium on repayment of loan instalments representing cash losses and for deforment of interest on cash losses loans for a period of three years.

6.10. Government, however, intimated (October 1975) that there was no streng justification for the grant of moratorium, as among other things, the Corporation shuld be able to meet the dues of Government by generating internal resources by disposal of the large accumulated stocks.

6.11. The Board of Directors in its 59th Meeting held on 2nd February, 1976 decided to increase the authorised capital from Rs. 1 crore to Rs. 10 crores. On 18th February, 1976, the Corporation approached Government for converting the entire existing Government loans ito equity and restructuring the capital by increasing authorised capital from Rs. 1 crore to Rs. 10 crores. On 15th March, 1977, Government agreed, in principle, to the Corporation's proposals for the increase of its authorised share capital from Rs. 1 crore to Rs. 5 crores and for conversion of loans granted by the Government into equity to the extent of Rs. 3 crores to be effective from 1st April, 1977. This was given effect to by allotment of hares on 26-4-1978.

6.12. The Corporation had again approached to the Government for further increase in authorised capital from Rs. 5 crores to 10 crores and also for conversion out of the outstanding loans to the extent of Rs. 5 crores into equity.

The Secretary (Department of Industrial Development) stated in this regard in evidence as follows :—

> "Today the loan is 15 crores. Out of 15 crores loan today the equity is 5 crores. It is 1 : 3. What I am going to do is that out of Rs. 15 crores; 5 crores I convert to equity. What is left is 10 crores and equity becomes 10 crores. There is equity loan parity of 1 : 1. Out of 5 crores of additional investment I am giving 2½ as loan and 2½ as equity".

D. *Trade Credits*

6.13. The following table indicates the position of book debts for the last 5 years :—

Year	Total Book Debts		Sundry Debtors to month sales
	Considered Good	Considered Doubtful	
	(Rs. in lakhs)		
31-3-1976	102.63	10.13	1.9
31-3-1977	100.94	15.77	2.7
31-3-1978	85.55	5.54	2.3
31-3-1979	80.12	27.41	2.2
31-3-1980	62.48	29.35	2.01

Out of the total debt of Rs. 91.83 lakhs (including Bad and Doubtful Debts Rs. 29.35 lakhs) outstanding as on 31-3-1980, the amount due from the Government Departments|Public Sector Undertakings was Rs. 61.40 lakhs.

6.14. The table below incorporates the analysis of debts outstanding for more than one year as on 31-3-1980.

(Rs. in lakhs)

	Govt. Deptt.	Others
	31-3-80	31-3-80
(i) Debts outstanding for more than one year but less than two years	2.46	0.95
(ii) Debts outstanding for 2 years and more but less than 3 years	2.17	13.88
(iii) Debts outstanding for 3 years and more	9.43	6.41
TOTAL	14.06	21.24

6.15. According to Audit, in November, 1969, the Board had approved grant of credit facilities to the Distributors against adequate guarantee, subject to the maximum period and amount of credit not exceeding 45 days and Rs. 45,000 respectively. In August 1972, the Board approved the proposal of the Management to raise the credit limit in respect of 5 parties, subject to the following conditions :—

(i) One of the parties whose ceiling was fixed at Rs. 5 lakhs should excute a bank guarantee of Rs. 2 lakhs in addition to executing a fidelity bond ; and

(ii) the other parties should furnish fidelity bonds in addition to bank references.

6.16. From the first party, the Management obtained only the bank guarantee and from others neither fidelity bonds nor bank references were obtained. It was also noticed that four parties had exceeded the credit limits.

6.17. The amount outstanding against these parties on 31-3-80 was as follows :—

(Rs. in lakhs)

S.No.	Name of the Party	Amount recoverable	
		As on 31-3-80	Credit Limit
1		2	3
1.	M/s. G.N. Mehrotra & Co., Kanpur	7.07	Nil
2.	M/s. Rallies Brothers, New Delhi	0.15	1.00
3.	M/s. Seth Jeewa Bhai Ismail, Kanpur	0.89	0.50
4.	M/s. India Sole Leather Agency, Kanpur	..	0.50

6.18. It came to notice that the Bank guarantee obtained from M/s. G. N. Mehrotra had expired on 29-11-77 and was not renewed. The matter of recovery of the outstanding from the party has been taken to the Court of Law in July, 1980. Asked as to why the bank guarantee given by the party was allowed to lapse the CMD stated in evidence :

"There is no plausible explanation. It was just allowed to lapse".

E. *Inventory Holding*

6.19. The composition of the Inventory Holdings for the years 1975-76 to 1979-80 has been as under :—

(Rs. in lakhs)

Class of Materials	31-3-1976	31-3-1977	31-3-1978	31-3-1979	31-3-1980
Raw Material					
(a) Raw Hides . . .	21.24	6.67	26.45	0.69	19.29
(b) Other Process materials .	43.23	43.06	35.50	50.90	55.10
Stores & Spare parts (including-in-transit)	32.62	33.07	28.69	28.95	39.19
Work-in-process . . .	95.63	97.75	85.79	86.88	101.35
Finished products (including in-transit) . . .	180.35	237.47	137.98	105.68	97.78
Total	373.07	418.02	314.41	273.10	306.71
Percentage of value of production	75%	90%	104%	84%	87%

6.20 According to the Audit, in his note dated 19th November, 1975 the Financial Adviser and Chief Accounts Officer brought to the notice of the Board of Directors in their meeting held on 9th December, 1975 that one of the areas of heavy losses was the higher incidence of interests due to excessive inventories. The following remedial measures were suggested by him for reducing the inventories :—

(i) To ensure that all the goods produced are either sold or consumed in the factory within a reasonable time, there should be a close and continuous coordination among the production, sales and consuming departmets.

(ii) The delivery of material be taken in economic lots to avoid accumulation of stocks. Effective inventory control should be exercised.

(iii) The process period should be reduced to the minimum.

(iv) Footwear of good quality only may be procured against specific orders and supplied directly to the Distributors|Dealer instead of keeping the stock for months in Depots.

(v) Responsibility may be fixed for the accumulation of inventories of finished goods for sale and internal consumption.

(vi) Dependence upon a few leather dealers may be avoided. The sales department should also try to sell the goods directly to the bulk consumers.

6.21 The Management informed Audit (October 1977) as follows :—

"At present this Organisation does not have any effective inventory Control. A system of Inventory Control, with a view to improve the utilisation of resources, has to be introduced.

Materials are not utilised effectively. A Management Information System consisting of three parts namely, Planning, Reporting and Review will be introduced in the near future. For this purpose, a Manager, Management Services is being appointed and the Management Information System including the Inventory Control will be implemented. Norms, target will have to be fixed for the purpose of Inventory Control, Information relating to A, B and C and X, Y, Z, analysis, Slow-moving, Non-moving and obsolete stores will have to be collected and action should be taken to reduce the Inventory. It is stated that in a Consumer Industry like TAFCO where the pattern of demand is continuously changing as a result of season and fashion and also due to the demand of the export from various countries, it is necessary to have an Inventory Control. Inplementation of this procedure will take some time and till the only *ad hoc* measures are being taken to reduce the inventory".

6.22 The Ministry informed Audit (February 1978) that a suitable inventory control system had been devised, which was ready for adoption by the Board

In this connection, the Corporation stated in a written reply (October 1980) as follows :—

"A system of inventory control with regard to chrome leather is in operation since January, 1979 for the internal consumption of this item in the Footwear section. With regard to old Chrome Leather stocks brought forward over the years, inventory control system has not been operated as it has been a gradual accumulation over a long period. The Corporation is taking necessary steps to liquidate/sell all old inventories of finished products".

6.23 It was also noticed that the value of surplus, slow and non-moving items of stores and spares as on 31-3-1980 was Rs. 12.40 lakhs. As regards their disposal the Corporation stated in a written note in December 1980 that the matter would be referred to the Committee of Officers constituted by the Board for a consideration and recommendations of action for their disposal.

F. *System Deficiencies*

6.24 According to Audit Report the following system deficiencies had been noted in the Corporation :

(i) There is no manual laying down the detailed procedure for compilation and maintenance of accounts.

(ii) Corporation has not prepared Manual containing the scope and functions of Internal Audit and no reports have been submitted by the Internal Audit Department.

(iii) There was no purchase manual till May 1978.

(iv) Although the BPE had issued instructions in March 1968 for compiling a Budget Manual which should *interalia* prescribe the responsibility/Cost Centres in the organisation for compilation of budgets, neither any Manual has been compiled nor have Responsibility-cum-Cost Control Centres been established. No monthly financial review is prepared by Corporation.

(v) No action has been taken so far to introduce a system to automatic replenishment based on minimum, maximum and reorder levels in regard to stock items of regular use and to review these limits periodically on the basis of any changes in the rate of consumption and lead time.

(vi) There were no item-wise quantitative store accounts for non-stock items to facilitate control over the consumption of such items.

6.25 Asked about the action taken to remove these deficiencies, the Ministry have stated :

(i) The Corporation is taking up the work of compilation of Accounts Manual in the current year with the assistance of an external agency.

(ii) The Internal Audit Manual has also not been prepared so far and this is being taken up with the assistance of an external agency. The Internal Audit Department is headed by a qualified officer and the department has been submitting periodical reports to the management for consideration and necessary action.

(iii) The Purchase Manual was approved by the Board and introduced in May 1978 which is being followed by the Corporation.

(iv) The work relating to the preparation of Budget Manual will also be taken up side by side with the Accounts Manual and Internal Audit Manual. In the absence of the required officers in the Finance and Accounts Department as well as in the Production Departments, Responsibility-cum-Cost Control Centres could not be established. The Corporation is exploring the possibilities of introducing this after the compilation of the Budget Manual. Due to the continued absence of the various key personnel, *i.e.*, FA&CAO, Manager (Cost and Budget), etc. no Monthly Financial Review could be prepared. The Corporation is making arrangement for compilation of the Monthly Financial Review during the current year. However, monthly/quarterly reports on Production, Sales, Exports, Employment, Inventory and Losses etc. are being prepared and submitted to the concerned Departments of the Ministry.

(v) Procedure for replenishment of stock has been laid down in the Purchase Manual introduced in May 1973. Procurement of Chemicals/Process Materials and Grindery etc. is done on the basis of the Materials Budget after considering the minimum and maximum stock holdings.

(vi) Non-stock items are purchased against specific requirements for immediate use. However, these items are received periodically and repetitive items with significant values are made stock items for maintaining of their quantitative records and for exercising control over their stocks.

G. *Vigilance Cell*

6.26 It had been stated in a note submitted by the Ministry that with a view to checking corruption a Vigilance unit was set up in the Corporation on the direction from the Ministry in October 1977. As a result of the enquiries held by the Vigilance Unit action has taken against the erring officials of the Corporation. Services of some of these officials were terminated on the basis of the reports and even criminal cases were also registered against them. However, the unit was wound up on a directive from the Ministry in April 1980. The total expenditure incurred on the Special Cell was Rs. 3 lakhs.

6.27 As regards the reasons for winding up the Unit, the CMD of the Corporation stated during evidence that it was felt that the cell had outlived its utility and it was causing certain amount of ill-will and considerable amount of political harrassment and therefore it was felt that it was not needed." Asked about the alternate machinery in the Corporation to deal with the cases of corruption, CMD stated that they had Vigilance Officer.

6.28 The Secretary (Department of Industrial Development) also stated in this connection in his evidence before the Committee :

> "The Government was apprised of the way that they have been doing and Government felt an overall judgement that during the period of their functioning they have done excellent work but the Corporation must go back to its normal functioning system."

H. *Annual General Body Meetings*

6.29 According to Section 171(1) of the Companies Act, 1956, a notice of not less than twenty-one days is required to be given in writing for holding an annual general meeting. The dates of issue of notices and the date of Annual General Meetings of the TAFCO during the last three years were as follows :—

Number of Annual General Meeting	Date of issue of Notice	Date of Meeting
9th	29-9-78	29-9-78
	9-11-78	9-11-78
10th	27-9-79	27-9-79
11th	20-12-80	20-12-80

6.30 It was noticed that the notice of twenty-one days was not given in any of the above annual general meetings of the Corporation. In this connection, the Secretary of the Corporation stated during evidence :

"There is a provision that a meeting can be held at a shorter notice provided all the shareholders who attend it and give their consent for shorter notice. So, we had obtained the consent of all the shareholders."

6.31 The Committee pointed out that the dates of issue of notices and meetings being the same how could the shareholders receive the notice. The witness stated "Before we get the accounts passed by shareholders, we try to hold the Board meeting in which the Director's reports is finalised on those accounts and in that meeting, the President's nominee plus two shareholders who are also the Directors of the Board are present. So, they pass the accounts and thereafter we adopt the balance sheet we pass on the notice in the meeting itself." To a question, whether this was the practice all through in the company, the witness replied, "we do it only where the accounts have been delayed. We hold the meeting after the receipt of the report."

I. *Performance Reviews*

6.32 According to instructions issued by BPE in July, 1969 Performance Appraisal Meetings in respect of production enterprises were to be held not less than once in six months. These were required to be held every quarter since 1975 as per instructions issued in March 1975. However, in case of TAFCO there was only one such meeting during 1977-78, two meetings during 1978-79 and one meeting during 1979-80. Even earlier meetings were not held as required under the guidelines.

6.33 The Committee wanted to know whether there was any explanation as to why the guidelines for holding the meetings were not followed by the Ministry, The Secretary stated :

"The guidelines are advisory and not mandatory. The guidelines were not followed. Not that there was a sort of deliberate intention to do away from the BPE's guidelines, but every BPE's guidelines are not mandatory, they are only directory. So every Ministry organises its own meetings."

6.34 It was pointed out by the Committee that the guidelines for holding meetings were in pursuance of the recommendations of CPU issued by BPE and in this particular case these were mandatory. The Secretary admitted,

"If they are mandatory, I regret we slipped up and we will not slip again."

6.35 The Committee asked, in view of the fact that this corporation was a sick unit from the beginning, did not the Ministry think that it was necessary and helpful if such meetings were held more often. The Secretary stated :

"Yes. As a matter of fact, we have started and we will continue those quarterly meetings. I have already taken a meeting in September and I am going to take another meeting in January."

6.36 The Committee observed that in view of the peculiar position in which this company was functioning, did not the Ministry think that it required more attention of the Ministry, the Secretary stated :

"I entirely agree with you and this attention shall be given now on."

PART-II

CONCLUSIONS|RECOMMENDATIONS OF THE COMMITTEE

1. The Tannery and Footwear Corporation of India Ltd. is an extremely sick government company. The company incorporated in 1969 took over the Cooper Allen & North West Tannery units of British India Corporation Ltd. The company has been mismanaged from the inception although there are signs of improvement after the Comptroller & Auditor General of India reported on its working and the Committee took up his report for examination. There were continuous losses, and the cumulative cash losses at the end of March 1980 stood at Rs. 1545.36 lakhs, which had wiped out the paid-up capital of Rs. 436.92 lakhs (raised from Rs. 95.92 lakhs in 1978).

2. It is incredible and yet true that the sale deeds for the take-over of the tannery units in 1969 have not been executed so far. There are discrepancies in the area of land, and disputes in regard to claims of the BIC for materials taken over subsequently. The latter are under arbitration for long. The TAFCO management went out of the way to try to keep the claims alive when the period of limitation was about to expire. The title deed is still reported to be with the bankers of the erstwhile owners. On account of the non-execution of the sale deed, patents and trade marks in regard to the products manufactured have not been transferred and registered in the name of the TAFCO. Though as early as 1971 the Registrar of Patents and Trade Marks suggested that as an alternative, the trade marks could be transferred to the TAFCO on a deed of assignment that possibility was obviously not pursued. The implication of this delay and inaction is that the company is not in a position to take any legal action for the infringement of the trade marks, which has reportedly taken place on a large scale and with impunity. Thus of the land and buildings, machinery and trade marks of the company none has been taken over by the TAFCO legally as yet although consideration money has been paid with promptness. It is indeed surprising that a private concern could take the government company for a ride successfully all these 12 years. The administrative Ministry became aware of the inordinate delay in completing the legal formalities of the takeover for the first time only in September, 1976, although there are government directors on the Board of the TAFCO. While deprecating this lang and unsavoury tale the Committee note that according to the Secretary, Department of Industrial Development, the pending issues could be settled only after proposed acquisition of the majority shares of the BIC by the government. That the issue has been rendered ununderstandably intractable is a matter that causes deep concern to the Committee. However, the Committee can only await the results of the Government's initiative in this regard.

3. The production and sales performance of the TAFCO present a dismal picture. The utilisation of capacity for production has been only to

the extent of about a third of the capacity as re-assessed and reduced from time to time. Even the lower budget targets of production could not be achieved. For instance, the installed capacity for footwear production which was 20.10 lakh pairs per annum was derated progressively to 11.88 lakh pairs in 1978. As against this the production ranged from 3.12 to 9.21 lakh pairs including those fabricated through outside fabricators out of cut components supplied by the corporation during 1970—80 and it touched the all time low in 1979-80. The shortfall was explained as mainly due to old-obsolete unproductive plant and machinery and low productivity of workmen.

4. Although it was clearly expected at the time of takeover that the productive life of the already 30 year-old plant and machinery would not last longer than 5 years and money was not unavailable, none of the programmes for modernisation and renovation drawn up since 1969 fructified except that there was purchase of some additional equipment for specific purposes. This inaction was stated to be due to lack of continuity in top management. The Committee have taken note of the fact that there were nine incumbents of the post of Managing Director since the company came into being in 1969. There were as many as six changes in the incumbency of the Chief Executive during the last 3 years. Further, at present nearly 22 senior level posts are lying vacant. Annually on an average 15 executives were leaving the organisation during the last 4 years. The atmosphere in the company is reported to be such that officers in senior positions do not want to remain in the service of the company. The Committee desire that the work culture should be improved, a measure of continuity in top management ensured and all the vacant senior positions filled up without delay. These should be the responsibility of the administrative Department of the Government. These are the desiderata for good management especially in the context of the resolve to revive the TAFCO under a corporate plan for 1980-85.

5. Besides low productivity, there has been substantial loss of production consequent on absenteeism and industrial unrest. The mandays lost on account of leave or absence were 1.4 lakhs and 1.24 lakhs in 1978-79 and 1979-80 and the value of loss of production was of the order of Rs. 91 lakhs. The poor performance of the work force all along was explained as due to low morale stemming primarily from low wages. However, a wage agreement has belatedly been reached in 1980 and an incentive bonus scheme has also been put through. The Committee trust that the workers will realise that it is in their own interest that the company gets revived by their sustained cooperation. The Committee wish to place on record their appreciation of the fact that the commanality of the contents of the memoranda submitted to them by various workers unions when a Study Group visited the factory premises at Kanpur in November, 1980 was that the TAFCO having the potential to revive ought not to be allowed to languish further.

6. The sales performance of the company is very discouraging. Heavy stocks of finished goods have accumulated. The value had to be written down and discount sales organised incurirng losses to dispose of old stock. While the capacity of the footwear factory remained grossly underutilised, shoes were got fabricated outside and finished shoes were also procured. Lot of irregularities have been noticed in this operation. Refreshingly the company has since stopped this practice. Altough it was initially expected that the

TAFCO would cater to Defence and other Government requirements on 'cost' basis the customer composition shows that it did not materialise even to the extent of 50 per cent of sales of the company. The Committee feel that the matter deserves serious consideration. The sales organisation is admittedly weak. The post of Sales Manager is vacant at present. The lack of demand for civilian footwear is obviously on account of lack of variety. The Committee feel that the TAFCO should go in for production of chappals, ladies, and children's footwear and other leather goods catering to a variety of consumers and adopt latest designs. The sales and marketing as well as design and development units of the company should be strengthened qualitatively.

7. The Committee are particularly concerned about the procedure and practices of purchase of raw hides by the company. These left a lot of scope for malpractices, and there were malpractices. In some cases the suppliers of raw hides and purchasers of finished leather were the same persons. This assumes significance when one observes that in many cases sale value of the finished leather did not cover even the direct costs. Obviously higher prices were paid for the raw material. The quality control and the system of weighment in regard to purchases were far from satisfactory. It is no wonder, therefore, that recently after tightening up of the procedures, the price paid for raw hides registered a fall of about 30 per cent despite a rising market.

8.The magnitude of corruption and mismanagement in TAFCO was such that Government were constrained to set up a high-powered vigilance unit in the company in October 1977. The services of a number of officials were reportedly terminated on the basis of the findings of the Director of Vigilance. The special vigilance set up has since been wound up. While the Committee agree that it could be counterproductive to continue a set-up of this kind meant for a specific purpose and duration, they expect the existing arrangements in the company to ensure honest transaction of business.

9. Distressingly all the products of the TAFCO were sold below cost and in some cases the sale price did not recover even the direct cost (material and labour). For instance, the average net sale value per pair of footwear was Rs. 42.89 in 1979-80 as against the cost of production of Rs. 117.71 (overheads cost alone : Rs. 62.50) thereby resulting in a loss of Rs. 74.82 per pair. It does not need any imagination to realise how unbusinesslike the business of TAFCO has been. Besides there being no cost control worth mentioning, the pricing of products seems unrelated to market conditions. The Committee desire that an efficient cost control system, including credit and inventory control, should be introduced taking into account the deficiencies brought out in the Report of the Comptroller & Auditor General of India. The Company should be sensitive to market conditions and revise the prices promptly. Incidently, the Committee find that the prices for past defence supplies have yet to be settled full. The Committee would urge that this should be done on a mutually satisfactory basis between the administrative departments concerned, wihout further delay.

10. After examining the working of the TAFCO, its financial working results do not surprise the Committee. They nevertheless cause anxiety. Evidently the Board of Directors and the general body have not

exercised any effective control over the management. In all the recent years Annual General Body meetings were called giving no notice period. There could be no meaningful participation by shareholders, especially the President's nominee, on the basis of documents circulated on the day of the meetings as it happened. The role played by administrative department and the government directors was not marked by timely initiatives. There has been virtually no directive to the corporation except the one on setting up of a Vigilance Unit. That the administrative department has undertaken no action-oriented periodic review of performance of the TAFCO with a view to giving directions to the management has been conceded. Such being the attention given to a sick unit, the department cannot be said to have fully discharged its responsibilities vis-a-vis the public enterprises under its control. The Committee desire that these laxities should be avoided in future.

11. The capital structure was unsound in that the debt equity ratio which ought to be generally 1 : 1 varied from 2.2 : 1 to 8.9 : 1 during 1976-80. This adverse ratio and the attendant heavy interest liability had pushed the company into the red more and more. A timely readjustment would have perhaps helped the management as unremitting heavy losses are utterly demoralising. The Committee have, however, been assured that the position will be corrected shortly.

12. In order to revive the sick TAFCO, the management has prepared recently a revised corporate plan for the period 1980-85 and the plan entails an outlay of about Rs. 5 crores. This plan, which awaits the approval of government, envisages increase in production from the present level of Rs. 4 crores to Rs. 18 crores per annum in order to break-even by the end of 1984-85. In order to come to their own assessment, the Committee undertook an on-the-spot study of the production units of TAFCO at Kanpur. The Committee feel that the company has a good infrastructure besides good expertise in leather and leather goods production. It has undoubtedly the potentialities for revival, if it can be placed under an efficient management. The Committee trust that the opportunity will not be lost now. The Committee suggest that the feasibility of converting the TAFCO as a fully-owned subsidiary of the Bharat Leather Corporation be considered since they feel that a unified institutional arrangement is necessary for coordinated and planned development of the leather and leather goods industry in the country.

BANSI LAL,

Chairman,

Committee on Public Undertakings.

NEW DELHI ;

April 20, 1981
Chaitra 30, 1903(s)